

Facts for Consumers



\$ \$ \$ \$ \$ Getting Credit When You're Over 62

Credit is an important money management tool for both young and older consumers. Yet the elderly, particularly older women, may find it difficult to get credit.

If you're an older consumer who has paid with cash all your life, you may find it difficult to open a credit account. That's because you have "no credit history" of how you paid on credit. If your income has decreased, you may find it harder to get a loan because you have "insufficient income." Or, if your spouse dies, you may find creditors trying to close joint accounts. A "joint account" is one for which both spouses applied and signed the credit agreement.

Under the federal Equal Credit Opportunity Act (ECOA), it's against the law for a creditor to deny you credit or terminate existing credit simply because of your age. This brochure explains your rights and offers tips for applying for and maintaining credit.

Applying for Credit

Applying for credit used to mean asking your neighborhood banker for a loan. Now, with national credit cards and computerized applications, the day of personal evaluations may be over. Instead, computer evaluations look at, among other things, your income, payment history, credit card accounts, and any outstanding balances. Paying in cash and in full may be sound financial advice, but they won't give you a payment history that helps you get credit.

A major indicator of your ability to repay a loan is your current income. Those who consider income must include types of income that are likely to be received by older consumers. This includes salaries from part-time employment, Social Security, pensions, and other retirement benefits.

You also may want to tell creditors about assets or other sources of income, such as your home, additional real estate, savings and checking accounts, money market funds, certificates of deposit, and stocks and bonds.

If you're age 62 or over, you have certain other protections. You can't be denied credit because credit-related insurance is not available based on your age. Credit insurance pays off the creditor if you should die or become disabled.

On the other hand, a creditor can consider your age to:

- favor applicants who are age 62 or older.
- determine other elements of creditworthiness. For example, a creditor could consider whether you're close to retirement age and a lower income.

While a creditor cannot take your age directly into account, a creditor may consider age as it relates to certain elements of creditworthiness. If, for example, at the age of 70, you apply for a 30-year mortgage, a lender might be concerned that you may not live to repay the loan. However, if you apply for a shorter loan term, increase your down payment, or do both, you might satisfy the creditor's concerns.

Checking Your Credit History

A creditor will often check your credit history with a credit bureau. If you want to know what's in your credit file, contact the credit bureaus listed in the Yellow Pages under "credit" or "credit rating and reporting." Because more than one bureau may have a file on you, call each until you locate all the agencies maintaining your file. The three major national credit bureaus are:

- Equifax
PO Box 740241
Atlanta, GA 30374-0241
1-800-685-1111
- Experian (formerly TRW)
PO Box 949
Allen, TX 75013-0949
1-888-EXPERIAN (397-3742)
- Trans Union
760 Sproul Road, PO Box 390
Springfield, PA 19064-0390
1-800-916-8800

There's no charge for your report if a company takes adverse action against you — based on your credit report — such as denying your application for

credit, insurance, employment, or rental housing and you request your report within 60 days of receiving the notice of the action. The notice will give you the name, address, and phone number of the credit bureau that supplied the information. In addition, you're entitled to one free report a year if you can prove that (1) you're unemployed and plan to look for a job within 60 days, (2) you're on welfare, or (3) your report is inaccurate because of fraud. Otherwise, a credit bureau may charge you up to \$8.50 for a copy of your report.

You may find that your file doesn't list all of your credit accounts. That's because not all creditors report to credit bureaus. You may ask that additional accounts be reported to your file. Some bureaus may charge for this service.

Credit information about shared accounts should be reported in your name and your spouse's. If it's not, ask the creditor in writing to report the account in both names.

Establishing a Credit History

If you're denied a loan or credit card because you have no credit history, consider establishing one. The best way is to apply for a small line of credit from your bank or a credit card from a local department store. Make sure you list your best financial references. Make payments regularly and make certain the creditor reports your credit history to a credit bureau.

If Your Spouse Dies

Under the ECOA, a creditor cannot automatically close or change the terms of a joint account solely because of the death of your spouse. A creditor may ask you to update your application or reapply. This can happen if the account was originally based on all or part of your spouse's income and if the creditor has reason to believe your income alone cannot support the credit line.

After you submit a re-application, the creditor will determine whether to continue to extend you credit or change your credit limits. Your creditor must respond in writing within 30 days of receiving your application.

During that time, you can continue to use your account with no new restrictions. If your application is rejected, you must be given specific reasons, or told of your right to get this information.

These protections also apply when you retire, reach age 62 or older, or change your name or marital status.

Kinds of Accounts

It's important to know what kind of credit accounts you have, especially if your spouse dies. There are two types of accounts — individual and joint. You can permit authorized persons to use either type.

- *An individual account* is opened in one person's name and is based only on that person's income and assets.

If you're concerned about your credit status if your spouse should die, you may want to try to open one or more individual accounts in your name. That way, your credit status won't be affected.

When you're applying for individual credit, ask the creditor to consider the credit history of accounts reported in your spouse's or former spouse's name, as well as those reported in your name. The creditor must consider this information if you can prove it reflects positively and accurately on your ability to manage credit. For example, you may be able to show through canceled checks that you made payments on an account, even though it's listed in your spouse's name only.

- *A joint account* is opened in two people's names, often a husband and wife, and is based on the income and assets of both or either person. Both people are responsible for the debt.

Account "Users"

If you open an individual account, you may authorize another person to use it. If you name your spouse as the authorized user, a creditor who reports the credit history to a credit bureau must report it in your spouse's name as well as in yours (if the account was opened after June 1, 1977).

A creditor also may report the credit history in the name of any other authorized user.

If You're Denied Credit

The ECOA does not guarantee you'll get credit. But if you're denied credit, you have the right to know why. There may be an error or the computer system may not have evaluated all relevant information. In that case, you can ask the creditor to reconsider your application.

If you believe you've been discriminated against, you may want to write to the federal agency that regulates that particular creditor. (See the list on page 10.) Your complaint letter should state the facts. Send it, along with copies (NOT originals) of supporting documents. You also may want to contact an attorney. You have the right to sue a creditor who violates the ECOA.

National Banks

Comptroller of the Currency
Compliance Management
Mail Stop 7-5
Washington, DC 20219

State Member Banks of the Reserve System

Consumer and Community Affairs
Federal Reserve Board
20th & C Streets, NW
Washington, DC 20551

Federal Credit Unions

National Credit Union Administration
1776 G Street, NW
Washington, DC 20456

Non-Member Federally Insured Banks

Office of Consumer Programs
FDIC
550 Seventeenth Street, NW
Washington, DC 20429

Federally Insured Savings and Loans and Federally Chartered State Banks

Consumer Affairs Program
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Other Creditors

(includes retail, gasoline, finance, and mortgage companies)
Consumer Response Center
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

For More Information

If you have questions about the Equal Credit Opportunity Act or your credit rights, contact:

Consumer Response Center
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580
Toll-free: 1-877-FTC-HELP (382-4357)
TDD: 202-326-2502
Or visit us at www.ftc.gov on the Web — click on **Publications**.

Although the FTC generally does not intervene in individual disputes, the information you provide may indicate a pattern of practices requiring action by the Commission.